

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Flowerfield
St. Joseph County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Flowerfield, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund and the remaining fund information of the Township of Flowerfield, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Flowerfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the remaining fund information of Township of Flowerfield, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Flowerfield, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

June 28, 2006

BASIC FINANCIAL STATEMENTS

Township of Flowerfield
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 341,554
Receivables, net	21,543
Prepaid expense	<u>11,798</u>
Total current assets	<u>374,895</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>10,307</u>
Total assets	<u>385,202</u>
LIABILITIES	
Payables	<u>4,610</u>
NET ASSETS	
Invested in capital assets	10,307
Unrestricted	<u>370,285</u>
Total net assets	<u>\$ 380,592</u>

See notes to financial statements

Township of Flowerfield
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	
Functions/Programs				
Governmental activities:				
Legislative	\$ 3,721	\$ -	\$ -	\$ (3,721)
General government	86,220	16,425	-	(69,795)
Public safety	53,972	16,007	-	(37,965)
Public works	26,365	-	3,161	(23,204)
Community and economic development	<u>5,970</u>	<u>175</u>	<u>-</u>	<u>(5,795)</u>
 Total governmental activities	 <u>\$ 176,248</u>	 <u>\$ 32,607</u>	 <u>\$ 3,161</u>	 <u>(140,480)</u>
 General revenues:				
Taxes				38,652
State grants				108,813
Franchise fees				1,044
Investment income				12,341
Other				<u>370</u>
 Total general revenues				<u>161,220</u>
 Change in net assets				20,740
 Net assets - beginning				<u>359,852</u>
 Net assets - ending				<u>\$ 380,592</u>

See notes to financial statements

Township of Flowerfield
BALANCE SHEET - governmental funds

March 31, 2006

	<u>General</u>
ASSETS	
Cash	\$ 341,554
Receivables	<u>21,543</u>
 Total assets	 <u>\$ 363,097</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Payables	<u>\$ 4,610</u>
 Fund balance:	
Unreserved	 <u>358,487</u>
 Total liabilities and fund balance	 <u>\$ 363,097</u>
 Fund balance	 <u>\$ 358,487</u>
 Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:	
 Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	 10,307
 Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	 <u>11,798</u>
 Net assets of <i>governmental activities</i>	 <u>\$ 380,592</u>

See notes to financial statements

Township of Flowerfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended March 31, 2006

	<u><i>General</i></u>
REVENUES	
Taxes	\$ 53,453
Licenses and permits	18,212
State grants	108,813
Charges for services	3,275
Interest	12,341
Other	<u>894</u>
 Total revenues	 <u>196,988</u>
 EXPENDITURES	
Legislative	3,721
General government	83,112
Public safety	53,972
Public works	26,365
Community and economic development	5,970
Capital outlay	<u>2,687</u>
 Total expenditures	 <u>175,827</u>
 NET CHANGE IN FUND BALANCE	 21,161
 FUND BALANCE - BEGINNING	 <u>337,326</u>
 FUND BALANCE - ENDING	 <u>\$ 358,487</u>

See notes to financial statements

Township of Flowerfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (continued)**

Year ended March 31, 2005

Net change in fund balances - total governmental funds	\$	21,161
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Amounts reported for *governmental activities* in the statement of activities
(page 6) are different because:

Capital assets:

Acquisition of capital assets	1,279
Provision for depreciation	(1,726)

Change in other assets/liabilities:

Net increase in prepaid expenses	<u>26</u>
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Change in net assets of <i>governmental activities</i>	\$	<u>20,740</u>
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See notes to financial statements

Township of Flowerfield

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

March 31, 2006

ASSETS

Cash	\$ <u>188,388</u>
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LIABILITIES

Due to other governmental units	\$ 185,192
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Due to others	<u>3,196</u>
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Total liabilities	\$ <u>188,388</u>
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See notes to financial statements

Township of Flowerfield
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Flowerfield, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental fund, and fiduciary fund, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Flowerfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets, other than infrastructure with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Township of Flowerfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *Capital assets* - (continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 10 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 to be revenue of the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 341,554	\$ 188,388	\$ 529,942

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$328,237 of the Township's bank balances of \$528,237 was exposed to custodial credit risk because it was uninsured.

Township of Flowerfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major fund, in the aggregate, are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Inter- governmental</i>	<i>Total</i>
General	\$ 3,439	\$ 18,104	\$ 21,543

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 1,300	\$ -	\$ -	\$ 1,300
Capital assets being depreciated:				
Buildings and improvements	14,205	-	-	14,205
Equipment	19,060	1,279	-	20,339
Subtotal	33,265	1,279	-	34,544
Less accumulated depreciation for:				
Buildings and improvements	10,227	284	-	10,511
Equipment	13,584	1,442	-	15,026
Subtotal	23,811	1,726	-	25,537
Total capital assets being depreciated, net	9,454	(447)	-	9,007
Governmental activities capital assets, net	\$ 10,754	\$ (447)	\$ -	\$ 10,307

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 1,726

Township of Flowerfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Permit revenue	\$ 13,957
Inspections	(12,405)
Indirect costs	<u>(1,658)</u>
Deficiency of revenue over expenses	\$ <u>(106)</u>

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Flowerfield
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 48,000	\$ 48,000	\$ 53,453	\$ 5,453
Licenses and permits	21,000	21,000	18,212	(2,788)
State grants	108,000	108,000	108,813	813
Charges for services	3,100	3,100	3,275	175
Interest	3,000	3,000	12,341	9,341
Other	500	500	894	394
Total revenues	<u>183,600</u>	<u>183,600</u>	<u>196,988</u>	<u>13,388</u>
EXPENDITURES				
Legislative	<u>3,850</u>	<u>3,850</u>	<u>3,721</u>	<u>129</u>
General government:				
Supervisor	8,650	8,650	8,612	38
Election	-	-	505	(505)
Assessor	18,000	18,000	15,532	2,468
Clerk	11,050	11,050	10,065	985
Board of review	700	700	400	300
Treasurer	13,000	13,000	12,676	324
Hall and grounds	2,350	2,350	1,311	1,039
Cemetery	8,000	8,000	6,849	1,151
Other	25,150	28,850	27,162	1,688
Total general government	<u>86,900</u>	<u>90,600</u>	<u>83,112</u>	<u>7,488</u>
Public safety:				
Fire and ambulance	43,000	41,350	41,088	262
Inspections	18,800	17,875	12,884	4,991
Total public safety	<u>61,800</u>	<u>59,225</u>	<u>53,972</u>	<u>5,253</u>
Public works - highways and streets	<u>28,000</u>	<u>26,365</u>	<u>26,365</u>	<u>-</u>
Community and economic development	<u>5,625</u>	<u>6,135</u>	<u>5,970</u>	<u>165</u>
Capital outlay	<u>3,500</u>	<u>3,500</u>	<u>2,687</u>	<u>813</u>
Total expenditures	<u>189,675</u>	<u>189,675</u>	<u>175,827</u>	<u>13,848</u>

Township of Flowerfield**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
NET CHANGE IN FUND BALANCES	\$ (6,075)	\$ (6,075)	\$ 21,161	\$ 27,236
FUND BALANCES - BEGINNING	<u>337,326</u>	<u>337,326</u>	<u>337,326</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 331,251</u>	<u>\$ 331,251</u>	<u>\$ 358,487</u>	<u>\$ 27,236</u>